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BONDS



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Carol Leach
Acting Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

January 30, 2002

CERTIFIED MAIL
RETURN RECEIPT NO. 7099-3220-0000-5051-2887

Mr. Jerry Sandel
Basin Disposal, Inc.
P.O. Box 100
Aztec, NM 87401

**RE: \$10,000 Financial Assurance for
Commercial Surface Waste Management Facility Permit NM-01-0005
Basin Disposal, Inc., Principal
St. Paul Fire & Marine, Surety
Surety Bond, No. 400SE8083.**

Dear Mr. Sandel:

The New Mexico Oil Conservation Division hereby approves the cancellation of the above-referenced financial assurance and releases St. Paul Fire & Marine of any liability.

Sincerely,

David K. Brooks
Assistant General Counsel

DKB:mjk

Enclosure: Copy of Surety Bond No 400SE8083.

xc with attachment:

Aztec OCD Office
Paula A Grinnan, St. Paul Fire & Marine, P.O. Box 5220, Denver, CO 80217-5220



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

March 12, 2001

Lori Wrotenbery

Director

Oil Conservation Division

CERTIFIED MAIL

RETURN RECEIPT NO. 7099-3220-0000-5051-2146

Mr. Jerry Sandel
Basin Disposal, Inc.
P.O. Box 100
Aztec, NM 87401

**RE: \$10,000 Financial Assurance for
Commercial Surface Waste Management Facility Permit NM-01-0005
Basin Disposal, Inc., Principal
St. Paul Fire & Marine, Surety
Surety Bond, No. 400SE8083.**

Dear Mr. Sandel:

The New Mexico Oil Conservation Division hereby approves the above-referenced Commercial Surface Waste Management Facility Surety Bond.

Sincerely,

Stephen C. Ross
Legal Counsel

SCR:mjk

Enclosure: Copy of Surety Bond No 400SE8083.

xc with attachment:
Aztec OCD Office



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

August 9, 1999

CERTIFIED MAIL
RETURN RECEIPT NO. P-326-936-560

Mr. Jerry Sandel
Basin Disposal, Inc.
P.O. Box 100
Aztec, NM 87401

**RE: \$140,000 Financial Assurance for
Commercial Surface Waste Management Facility Permit NM-01-0005
Basin Disposal, Inc., Principal
Citizens Bank of Farmington, Surety
Letter of Credit No. 2216**

Dear Mr. Sandel:

The New Mexico Oil Conservation Division hereby approves the above-referenced Commercial Waste Management Facility Letter of Credit.

Sincerely,

A handwritten signature in black ink, appearing to read "Rand Carroll", written over the word "Sincerely,".

Rand Carroll,
Legal Counsel

RC:mjk

Enclosure: Copy of Letter of Credit No. 2216

xc with attachment: Aztec OCD Office

State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division

Irrevocable Letter of Credit For Waste Management Facilities

(File with Oil Conservation Division, 2040 South Pacheco Street, Santa Fe, New Mexico 87505)

2216
LETTER OF CREDIT NO. _____

Citizens Bank of Farmington [Name of Issuing Bank] (Issuing Bank), a corporation organized and existing under the laws of the State of New Mexico, and authorized to do business in the State of New Mexico with a duly appointed resident agent in the State of New Mexico, hereby establishes this Irrevocable Letter of Credit for the use and benefit of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (the "Division") pursuant to Section 70-2-12 NMSA 1978, as amended for an aggregate amount not to exceed \$ 140,000.00 (~~\$40,000.00~~) [closure cost estimate] in United States dollars ("Face Amount") effective immediately. This Letter of Credit is established for Basin Disposal, Inc., (an individual, partnership, or a corporation organized in the State of New Mexico, with its principal office in the City of Farmington, State of New Mexico, and authorized to do business in the State of New Mexico), as **PRINCIPAL**.

The conditions of this obligation are such that:

1. The Principal has or may enter into the collection, disposal, evaporation, remediation, reclamation, treatment or storage of produced water, drilling fluids, drill cuttings, completion fluids, contaminated soils, BS&W, tank bottoms, waste oil and/or other oil field related waste in Section 3, Township 29N, Range 11W, NMPM, San Juan County, New Mexico (the Facility).

2. This Letter of Credit is irrevocable for a term of not less than five (5) years and is conditioned upon substantial compliance by the Principal with all applicable statutes of the State of New Mexico and all rules and orders of the Oil Conservation Commission and Division, and upon clean-up of the facility site by the Principal to the standards set by the Division.

3. This Letter of Credit will expire on (a) 7/15/04 [not less than five (5) years from the effective date of the Letter of Credit] or (b) the date upon which sufficient documents are executed by the Division to release the principal from further liability for closure of the Facility with notice to the Issuing Bank by the Division accompanied by the original Letter of Credit with directions for cancellation. This Letter of Credit shall be forfeited and collected by the State of New Mexico if not replaced by other suitable financial assurance or Letter of Credit at least 90 days before the expiration date.

4. This Letter of Credit will remain effective until the (a) expiration date or (b) the operator (principal) replaces this Letter of Credit with another acceptable form of financial assurance or (c) the Division releases the Letter of Credit pursuant to Paragraph 3 above, whichever is earlier.

5. Funds under this Letter of Credit are available against the Division's sight draft, in the form of Exhibit A, specifying Letter of Credit No. _____ delivered to the office of the Issuing Bank at _____ Citizens Bank of Farmington [address]. At the Division's sole election, the Division may present sight drafts for less than the Face Amount of this Letter of Credit so long as the aggregate amount of all sight drafts does not exceed the Face Amount. Each draft must be accompanied by a certificate in the form of Exhibit B, purportedly signed by a duly authorized representative of the Division.

6. If the Issuing Bank receives the Division's sight draft(s) and certificate(s) as provided in Paragraph 5. above on or before the expiration or termination of this Letter of Credit, the Issuing Bank will pay such amount as the Division may specify, up to an aggregate amount not to exceed the Face Amount of this Letter of Credit available to the Division, no later than the close of business, Santa Fe time, on the second business day following the Issuing Bank's receipt of the sight draft and certificate and in such a manner as the Division may specify.

7. The Issuing Bank will give prompt notice to the Principal and to the Division Director of any notice received or action filed alleging the insolvency or bankruptcy of the Issuing Bank, or alleging any violations of regulatory requirements which are reasonably likely to result in suspension or revocation of the Issuing Bank's charter or license to do business.

8. This Letter of Credit will be governed by the laws of the State of New Mexico and shall be subject to the Uniform Customs and Practice for Documentary Credit, 1983 revision, International Chamber of Commerce Publication No. 500, as the same may be amended and in effect from time to time ("UCP").

9. All communications regarding this Letter of Credit will be addressed to the Issuing Bank at Citizens Bank of Farmington [address], referencing Letter of Credit No. 2216.

Very truly yours,

Surety

By: Karl Garling

(Name typed or printed)

(Authorized Signature)

Title: Senior Vice President

STATE OF NEW MEXICO

COUNTY OF San Juan)SS.

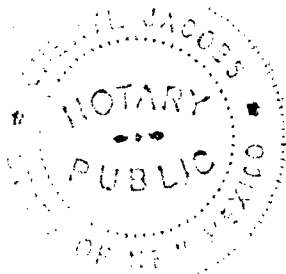
On this 13TH day of JULY, 19 99, before me personally appeared KARL GARLING, SVP, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

My commission expires: 10/29/00

Date

Notary Public



APPROVED BY:
NEW MEXICO OIL CONSERVATION DIVISION

By: Karl Garling

Date: 8/9/99